



DEFENSE CONTRACT AUDIT AGENCY
DEPARTMENT OF DEFENSE
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FORT BELVOIR, VA 22060-6219

IN REPLY REFER TO

PAC 730.3.B.01/2005-02

January 26, 2005
05-PAC-011(R)

MEMORANDUM FOR REGIONAL DIRECTORS, DCAA
DIRECTOR, FIELD DETACHMENT, DCAA

SUBJECT: Audit Guidance on Change to Threshold for Penalties for Unallowable Costs at
FAR 42.709

A final rule was published in the Federal Register at 69 FRN 76356 amending FAR 42.709 by increasing the contract dollar threshold for assessing a penalty if the contractor includes expressly unallowable costs in its final indirect rate proposal. The revised rule increases the threshold from \$500,000 to \$550,000 and is effective for contracts awarded on or after January 19, 2005. Only cost type and fixed-price incentive contracts in excess of this threshold are covered by the penalty provisions. A line-in/line-out version of the changes to FAR 42.709 is included as the Enclosure.

Field audit office personnel should direct questions regarding this memorandum to their regional offices. Regional offices should direct their questions to Mr. David Johnson, Program Manager, Accounting and Cost Principles Division, at (703) 767-3250.

/Signed/
Robert DiMucci
Assistant Director
Policy and Plans

Enclosure:
Changes to FAR 42.709 (Line-in/Line-out)

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